



FEASIBILITY STUDY

NEW NATIONAL STADIUM REYKJAVIK / ICELAND

ASSUMPTIONS AND REMARKS TO THE BUSINESS PLAN

October 14, 2016

GENERAL ASSUMPTIONS AND REMARKS¹

The rational considerations and assumptions in the business plan are a result of detailed analysis regarding possibility and opportunity of the customized stadiums' usage program for the specific Reykjavik situation. In principle, it must be stated that football data in Iceland is limited to its circumscribed market, especially compared to both, major football markets (i.e. Germany, England, Spain, Italy and France) as well as similar football and stadia landscapes (e.g. Scandinavia, Hungary, Ireland) in Europe. However, it can be generally assumed that there will be a steady development on the local Icelandic football scale. This is mainly backed by the well-organized coaching education system in combination with conceptualized sports infrastructure and ongoing football boom due to the achievements by Iceland's national teams (Men's and Women's in particular). Especially when considering the implications of a New National Stadium Reykjavik on all operational, marketing and demand/image parameters, the project's business case offers a broad range of new income streams (e.g. hospitality and catering) and improved operations revenues/costs conditions.

Furthermore, the economic assumptions mentioned are based on a total capacity of 20.000 spectators (for football matches) at the new stadium and on best practise examples from established European markets that have already handled such development/new construction processes with comparable general economic data, presets and stadium capacities. Moreover, Lagardère Sports' specific expert knowledge in the European football market and profound understanding of operations as well as marketing & sales processes comes significantly into play.

The assumptions in the business plan characterize both athletic and commercial achievements within annual scope. Basically the calculations follow rather conservative assumptions and developments regarding the mentioned figures (e.g. ticketing, attendances, number of events, potential hospitality capacities and utilization as well as other stadium related rights). All considerations result from in-depth local data evaluation (including input from KSI and Borgarbragur) together with Lagardère Sports dedicated expert teams comprising of all stadium-related functions and thorough benchmarking of comparable regional and international stadium development and operations projects.

The introduction of hospitality capacities and conception to the Icelandic (football) market refers to a general increase of public notice and new level of state-of-the-art facilities at the New National Stadium Reykjavik. From Lagardère Sports' experience this upgrade in infrastructure together with product launches of new stadia hospitality packages will be affected through positive effects of increased recognition and brand marketing of new venues.

The business planning encompasses the full range of stadium-related revenues, including ticketing and rental for a variety of event types (e.g. KSI national teams homegames, other sports events, national/international concerts and shows/festivals, MICE events, rental spaces, etc.) together with newly introduced hospitality and catering (VIP and public) income streams as well as other commercialization of stadium rights (e.g. naming rights, stadium partners and other income).

As a general procedure within the stadium development process the final allocation of federation- and stadium-related rights has to be defined by all involved stakeholders. In order to guarantee best possible utilization and exploitation all available rights from both, federation- and stadium-related perspective, have to be combined in one comprehensive rights package offering.

¹ General conversion rate of ISK 1 = EUR 0,00789 applied

STADIUM-RELATED REVENUES

The New National Stadium Reykjavik's different sources of income, categorized into different clusters as shown in the business plan, will be described in detail as follows:

PUBLIC TICKETING FOOTBALL

KSI home matches (Men's, Women's and Youth Teams)

The New National Stadium Reykjavik's main purpose is to host all home matches of Iceland's football national teams (including Men's, Women's and Youth Teams), which means all official competitions (i.e. Qualifiers) as well as friendly games will be played at the new venue. Additionally to the existing yearly footballing schedule, from 2018 onwards UEFA plans to introduce a new competition format, the UEFA Nations League, which should improve the quality and standing of national team football and therefore replaces large parts of friendly games (while also streamlining UEFA European championship qualification campaigns). This means that starting with six matchdays during double-headers in September–November 2018, the UEFA Nations League will consequently change football scheduling for national teams as known today (please see also chapter "1.1 Definition of Stadium Demand Profile" within the report).

The current public ticket prices for competitive KSI Men's home matches (Qualifiers) start at ISK 3.000 and go up to ISK 6.000 for top seats within the existing stadium Laugardalsvöllur. Comparable average ticket prices for competitive national matches within Europe show a range of SEK 300 (ISK 4.000) to SEK 800 (ISK 10.800) for the Swedish football federation at their dedicated national stadium Friends Arena (50.000 seats), as well as between HUF 4.000 (ISK 1.700) and HUF 15.000 (6.200) for national team matches at Hungary's national stadium Groupama Aréna (23.000 seats). The German market, as the international top-level benchmark in football stadium infrastructure, shows an average ticket price from EUR 25 (ISK 3.200) to EUR 100 (ISK 12.800) for national games (depending on the host venue as German national games are played in different stadiums across the entire country according to a complex rotation system).

The average ticket price for competitive home matches of Iceland's Men's national team at the New National Stadium Reykjavik (Qualifiers and new UEFA Nations League from 2018 onwards) is estimated at ISK 4.500, reflecting a slightly increased mean value based on the improved facilities and atmosphere, however, always with the price-strategy-aim to rather sell out the new capacity of 20.000 seats instead of raising ticket prices too strongly. Considering the Men's national team friendly matches (at a reduced rate due to the introduction of UEFA's Nations League), a slightly reduced average ticket price of ISK 3.500 is assumed due to the decreasing interest for non-competitive national games from 2018 onwards (of course always depending on the level of opposition).

Other KSI home matches (Women's Qualifiers and Friendlies as well as Youth Teams Qualifiers and Friendlies) are calculated accordingly as follows: current low average ticket prices for Women's Qualifier games of ISK 1.000 are consequently adjusted and increased to ISK 2.500 and friendly games are set at a slight lower average ticket price of ISK 2.000 / similar to that Youth Teams matches are estimated at average ticket prices of ISK 2.000 for Qualifying games and ISK 1.500 for Friendlies.

As Lagardère Sports' international experience shows, the improved situation induced by the new stadium in terms of quality and comfort most certainly corresponds in form of an upgrading effect on total attendance figures. Especially with the specific Reykjavik situation, the ongoing football boom in Iceland further enhances the increase in demand for KSI matches.

Taking those considerations into account, Lagardère Sports estimates the following number of spectators for KSI home matches on average: Men's Qualifiers 17.000, UEFA Nations League games 13.000, Friendlies 11.000 / Women's Qualifiers 3.000, Friendlies 1.500 / Youth Teams Qualifiers 2.500, Friendlies 1.500 (please be aware that for certain top matches the demand and utilization can exceed the above mentioned numbers greatly, however, that those estimations represent a solid basis for calculation on an average yearly level).

Input from KSI:

Current assumption of 7 Men's national team matches to be reviewed as there can be only 5 matches at the most per annum from Qualifiers, UEFA Nations League and Friendlies (on a 4 year average).

Lagardère Sports' comment:

After joint review together with KSI the final number of Men's national team matches was set at a maximum of 5 events per year (already including new UEFA Nations League format from 2018 onwards, however, the average attendance figure for the new format matched with the Qualifiers at 17.000) – **business case adapted accordingly.**

Potential Main Tenant Local Football Club

As the main purpose of the New National Stadium Reykjavik to host all home matches of Iceland's football national teams (Men's, Women's and Youth Teams) only represents a limited number of event days at the venue, the possibility to include a local football club as a potential main tenant within the usage program allows for a more constant and higher utilization of stadium facilities. Nevertheless, it has to be taken into account that the planned new capacity of 20.000 most certainly exceeds the demands for any local football tenant on a season-long scale. Therefore certain structural measurements would need to be taken into consideration (e.g. temporary down scaling of spectator capacities for games via segregation/cover installations, please also see chapter "1.1.5 Economic Relevance of Event-related Down- and/or Upsizing" and "1.1.6 Economic Review on specific stadium-related Building Components"), which of course directly affect the overall event experience/atmosphere as well as possible revenue potentials and operational cost structures.

In order to comprehensibly illustrate the financial dimensions of such an additional potential main tenant, Lagardère Sports calculates with the following Icelandic specific parameters for local club football according to a new stadium infrastructure: 11 league games + 2 national/international cup matches with an average attendance of 2.000 spectators/game paying an average of ISK 2.000 per ticket (assumed 70% share of ticketing revenue for stadium operator via rental fee).

This, however, only considers straightforward quantifiable monetary implications of an additional permanent main tenant other than KSI for the stadium operator and does not include valuable supplementary non-financial effects, most prominent higher attention and recognition rates due to a vastly intensified utilization of stadium facilities according to usage program.

Input from KSI:

13 home matches from a potential main tenant local football club seem highly unlikely / 2-4 matches (mainly from cup competitions) represent a more realistic scenario. Overall 70% share on tickets from such games appears high.

Lagardère Sports' comments:

Lagardère Sports purposely included a potential local tenant football club in the business case in order to showcase the potential upsides to KSI and all other related stakeholders.

A realistic number of 2-4 additional football matches from cup competitions represent a reasonable assumption when not considering a potential local football club as permanent tenant. For such a business scenario a 20% share will be applied – **business case adapted accordingly**.

TICKETING AND RENTAL OTHER SPORTS

The revenue streams from other sports events are categorized into different event types according to the report (for further details please refer to chapter “1.1 Definition of Stadium Demand Profile”) which are summarized as follows for the project’s business case: wintersports, motorsports, equestrian events and others. From a business model perspective, there are generally two ways to structure and organize additional sports events within a stadium’s usage program. Either the stadium simply rents out as a whole, i.e. only rental fee for facilities, no additional income/risk share (which is the common practice for concerts as described further down below) or events are created and staged independently and/or jointly with certain event promoters allowing for a higher share of ticketing and other revenues such as hospitality and catering income (this practice also includes a higher risk share accordingly).

In order to showcase the new potential of a multi-purpose stadium for the operator as well as a contrast to the pure rental model as applied for the concerts category, the following other sports events are calculated in the “full ownership/full risk” model enabling higher revenue possibilities.

Wintersports

For wintersports the average ticket price is calculated at ISK 3.500 according to comparable international event categories and prices as follows: cross-country skiing/biathlon from EUR 25 (ISK 3.200) up to EUR 50 (ISK 6.400) for the reference event in Gelsenkirchen, Germany (Veltins Arena Auf Schalke) / Snowboard/Ski Air & Style starting from EUR 40 (ISK 5.000) up to EUR 80 (ISK 10.300) for a two days event in Innsbruck, Austria / icehockey between SEK 120 (ISK 1.600) and SEK 230 (ISK 3.100) for a regular league game at Swedish top club AIK Stockholm, Sweden.

Motorsports

Motorsports events represent a specific category itself as most events are promoted heavily by their respective rights owners. However, comparable benchmarks at Lagardère Sports’ stadiums in Sweden (Friends Arena Stockholm) and Hungary (Groupama Aréna Budapest) show the following reference prices: average ticket price in Hungary HUF 11.900 (ISK 4.900) / Sweden SEK 450 (ISK 6.000)

Equestrian

Special equestrian events constitute a fairly niche-product within the usual international established event types, however, represent an ideal fit for the specific Reykjavik/Iceland situation and local market conditions. The Sweden Horse Show at Friends Arena Stockholm embodies the European best practice case with average ticket prices of SEK 250 (ISK 3.350) up to SEK 900 (ISK 12.000) for daily tickets (4 event days).

Others

Other sports events include different event types (outlined in detail within the report in chapter “1.1.1 Definition of the Reykjavik Multifunctional Stadium Specific Usage Concept”) such as handball and/or basketball exhibition games, multi-sports events as well as adrenalin/extreme sports and track cycling. In order to make viable assumptions for the specific Reykjavik business case situation, Lagardère Sports realistically subsumed the above mentioned events under one overarching category with the estimated pricing representing a 20% price decrease of the most high-priced motorsports category.

Taking all of the above stated benchmarks into account, the respective average ticket prices for each category include an introductory price strategy for new event types in Iceland. This should help to attract spectator's awareness to the new events and the venue itself while at the same time supports the establishment of fixed points within the national event calendar.

Input from KSI:

Is it reasonable to assume that third party events include 100% operator share and a total of 6 annual events for sport events with no proven historical domestic interest (and high pricing)?

Lagardère Sports' comment:

Contrary to the concerts category (applying the full rental method as mentioned and elaborated in detail further down below), Lagardère Sports wanted to point out to KSI the possible revenue potential for the creation of own "full risk/full benefits" events (possibly together with dedicated event promotion partners).

However, after KSI's comments (please see above) as well as once-again consultation with in-house operations and events experts, the already mentioned fixed rental model is also applied for the other sports event types in order illustrate the most comprehensible business case structure (the full risk/full benefits model implies far more complex direct and indirect cost structures than shown in the present operational business plan). Consequently the applied rental fees are adjusted to local prices, duration and utilization of stadium capacities as well as reference values from other event types within the business case (such as concerts and entertainment events).

The calculation to include 6 other sports events within the new stadium's annual event scheduling is based on Lagardère Sports' long-lasting operational and event management know-how and represents a rather conservative assumption (especially when considering that the illustrated numbers portray the third year of full operation, this allows for a considerable introduction and settling in of the new stadium's event and marketing activities) – **business case adapted accordingly.**

CONCERTS AND ENTERTAINMENT EVENTS

As already mentioned above, the calculation basis for revenues from international/national concerts and entertainment events considers either variable leasing fees or fixed rents. This means that corresponding to the duration of the rental as well as quantity of utilized facilities within the stadium premises the fixed rental amounts vary accordingly.

Taking international and European tour standards into consideration, large concerts and entertainment events usually take place during the summer months due to seasonal weather conditions and tour schedules. However, in addition to that national/local artists and events (including festivals) as well as new entertainment formats (e.g. public viewings) allow for a more evenly distributed event scheduling, especially with regards to the specific Reykjavik situation.

Comparable international best practice cases for concerts and entertainment events include rental price ranges of EUR 120.000 (ISK 15m) to EUR 200.000 (ISK 26m) per event in Germany (50.000 capacity, 2–3 days venue usage), SEK 1,2m (ISK 16m) to SEK 2,2m (ISK 29m) in Sweden (55.000 capacity, 2–4 days venue usage) and HUF 25m (ISK 10m) to HUF 45m (ISK 19m) in Hungary (23.000 capacity, 2–3 days venue usage). Local Icelandic benchmarks represent far more complex circumstances for comparison due to the existing event venue landscape (mostly indoor halls in and around Reykjavik) as well as differences in size and infrastructure/technical presets. However, competitive venues for concert/event hosting like Kórin show a rental price range of up to ISK 18m (19.000 capacity, 3–5 days venue usage).

This benchmarks and information support Lagardère Sports' expert estimations of the respective event types for the categories "concerts and entertainment events" within the business case, always taking into consideration to attract a big number of spectators suitable for each event type in order to increase the venue's awareness and establish the stadium within the national and international event calendar. This leads to the following rental assumptions for concerts and entertainment events: international top artists ISK 13m (2–3 days venue usage) / international artists ISK 10,5m (2 days venue usage) / national artists ISK 6,5m (1–2 days venue usage) / big festivals ISK 11m (2–3 days venue usage) / small and medium festivals ISK 6m (1–2 days venue usage) / other entertainment events ISK 4,5m (1 day venue usage).

The only exception, from a business model point of view, represent the public viewing events as those are calculated on a ticket share basis (operator 80% / 20% promoter/partner) with an estimated average ticket price of ISK 2.000. This approach allows to fully exploit Lagardère Sports' expert knowledge within its stadium operations and event network – benchmark prices from Commerzbank Arena Frankfurt, Germany EUR 8 (ISK 1.100) to EUR 15 (ISK 1.900) and Friends Arena Stockholm, Sweden SEK 115 (ISK 1.500) to SEK 170 (ISK 2.300) – in combination with the proven demand for public viewings in Reykjavik/Iceland during the UEFA European Championship 2016 tournament in France.

Input from KSI:

The average ticket prices for the respective events seems optimistic, while at the same time the calculated rent of the stadium appears fairly low (approx. 3% of overall gate revenues).

Lagardère Sports' comments:

As already mentioned before, the concerts and entertainment events category applies a common full rental business approach for the New National Stadium Reykjavik's business case.

Therefore Lagardère Sports conducted a detailed analysis of comparable local benchmarks as well as included its international transferable know-how from other new stadium and event markets. This leads to the situation that the calculated rental prices represent rather conservative assumptions (please note: average ticket prices are not connected to the actual rental fees rather than possess informational character for local market comprehension).

After close consultation with latest local event data and expertise according to the uprising tourism and event location Reykjavik/Iceland, the business case will be even positively adjusted with regards to the applied rental fees for concerts and entertainment events (international top artists ISK 18m (2–4 days venue usage) / international artists ISK 13m (2-3 days venue usage) / national artists ISK 6,5m (1–2 days venue usage) / big festivals ISK 12m (2–4 days venue usage) / small and medium festivals ISK 7m (2 days venue usage) / other entertainment events ISK 6m (1–2 day venue usage) – **business case adapted accordingly.**

Other Stadium Events (Special Events)

Other stadium events (e.g. mass conventions, political/social events as well as any other special events) represent an additional way to both enlarge the usage program as well as increase the stadium's image and reputation (especially from a legitimation point of view within society in general). For this category Lagardère Sports calculated with the common rental approach, however, at a notable reduced rental fee (ISK 4m per event/day) compared to the other high profile events of the concerts and entertainment events category.

HOSPITALITY

As the concept of hospitality offerings represents a fairly new idea to the Icelandic market, especially for sports and entertainment venues, the considerations regarding pricing and proper business planning play a major role in the overall financial success of the operational business case. The category of hospitality and business guests constitutes one of the main revenue streams of modern sports and event venues nowadays. In order to offer customers an added value and incentive to buy into hospitality products and its exclusive atmosphere rather than general public tickets, top-level facility standards as well as a comprehensive services/food&beverage offering have to be provided. On top of these surroundings, the access to and availability of certain federation- and stadium-related rights have to be guaranteed and strategically bundled within dedicated hospitality packages.

Lagardère Sports' long-lasting operational experience together with its extensive marketing & sales know-how and network allow its experts to create a highly skilled calibration and conception of hospitality capacities. The special know-how focuses thereby both on the estimation of volumes and prices per stadium as well as on market relevant configuration of the areas in terms of size, design etc. corresponding to the specific target groups and clients (e.g. additional high social value of hospitality categories for Icelandic market next to its business character). However, the appropriate calibration of categories and the degree of utilization is the challenging part of the evaluation and is mainly deducted from market experiences and local research/expertise. The general categorization of hospitality areas serves as a great tool for target group segmentation to please customers with different levels of expectation in terms of comfort, catering, service etc.

Skyboxes

Skyboxes represent the premium category of the dedicated hospitality hierarchy and should therefore offer a limited, however, always appropriate number of seats for top level customers. From a hospitality marketing and sales perspective, a new stadium offers the strategic argument to introduce/change capacities, categories and pricing. Therefore the calculations in the specific business case include a feasible amount of 13 skybox facilities within three different categories: next to the representative (and non-sale) character of the dedicated KSI box, the estimated 10 standard box facilities (à 12 people each) provide an appropriate offering for interested company clients, ideally in close combination with a dedicated sponsoring package.

The estimated average pricing of standard boxes of ISK 7m and event boxes of ISK 8,36m per season (12 games guaranteed including all KSI matches plus remaining top third party events) represent a fairly moderate introductory pricing when considering the included high number of events as well as services and intended sponsoring combination (for further details please refer to chapter "1.1.4 *Definition of ideal Hospitality Capacity for the Reykjavik Multifunctional Stadium*") compared to international benchmarks below. In addition to that, the limited number of standard skybox facilities should allow for a 100% utilization if combined with dedicated sponsoring packages as well as a calculated 75% utilization for event boxes allowing for hospitality extra sales on certain single matchdays (please also refer to the following section "Hospitality Extra Sales").

Within Germany, one of the most elaborated markets in terms of hospitality marketing and sales, the national team advertises its skybox facilities within a price range of EUR 38.000 (ISK 4,8m) all the way up to EUR 75.600 (ISK 9,6m) per season (approx. 7 home games on average, however, in different stadiums according to Germany's complex venue rotation system for the national team). In Sweden skybox prices for the national team are set between SEK 504.000 (ISK 6,6m) and SEK 648.000 (ISK 8,5m) per season (average of 6 home games at Friends Arena Stockholm). The Hungarian national team shows a price range of HUF 6,3m (ISK 2,6m) and HUF 12,6m (ISK 5,2m) per season (average of 5 home games at Groupama Aréna Budapest) for their dedicated skybox facilities.

Input from KSI:

The skybox pricing seems ambitious.

Lagardère Sports' comments:

As one of its core competencies, Lagardère Sports possesses more than 15 years of successfully proven experience in marketing and selling hospitality rights all over the world. The calculated pricing for skyboxes within the business case includes detailed local market analysis together with expansive international expert know-how and a successful track record in transferring this knowledge to new markets.

The skybox category represents the most exclusive hospitality and business offering within the New National Stadium Reykjavik. Next to the unique private atmosphere within the boxes itself, most valuable rights and services (incl. F&B full service assumed) are allocated to this customers, making it the ideal rooming for companies to host their invited guests. In addition to that, from Lagardère Sports' experience, a limited offer of such exclusive facilities including highly valuable rights/service bundlings results in the ideal combination of hospitality capacities with wide-ranging sponsorship packages (e.g. media coverage, social awareness etc.). This unique set-up fully backs the assumed price strategy, even allowing for a later price increase at full facilities utilization due to the limited capacity offerings.

In addition to that, Lagardère Sports conceptualized hospitality packages (both skyboxes and business seats) consisting of an increased number of included events (KSI home games plus additional top third party events) in order to offer extra incentive for customers to buy into a wide ranging season packaging.

Business seats

As the second important source of revenue within the hospitality income streams, business seats, offering dedicated catering services and exclusive seating positions according to their package, represent a greater diversification in categories and capacities (e.g. in Germany some stadium/clubs offer a subdivision of up to 8 different categories according to the available spaces). Particularly coming from a virtually non-existing business seat offering at the old national stadium Laugardalsvöllur, international best practice cases and benchmarks offer the most valuable references for adequate business case assumptions.

Looking at comparable prices throughout the different categories (all providing customized catering and respective seating locations according to the hospitality hierarchy), Germany as the most elaborated market in hospitality marketing and sales, shows average price ranges of EUR 2.450 (ISK 311.000) to EUR 3.500 (ISK 444.000) for their national team matches per season (approx. 7 home games on average, however, in different stadiums according to Germany's complex venue rotation system for the national team, 3 categories). The Swedish FA charges for their business seat capacities between SEK 14.400 (ISK 190.000) and SEK 19.800 (ISK 261.000) per season at their national stadium Friends Arena Stockholm (6 home games on average, 2 categories). In Hungary, where hospitality and especially business seat offerings had to be introduced over the last couple of years likewise, the national stadium Groupama Aréna markets the home game packages at HUF 125.000 (ISK 52.000) going up to 200.000 (ISK 83.200) per season (average of 5 home games, 2 categories) according to Hungarian overall low purchasing power/price levels.

Considering all of the above mentioned international benchmarks, the customized assumptions for the New National Stadium Reykjavik allocate one top-business category (Business Club) as well as a dedicated introductory category (Family & Friends). In order to support this two-category business seat conception, the Business Club offers a total of 150 seats at an average price per season of ISK 324.000 (for 12 guaranteed events, estimated utilization of 70%) while at the other hand the Family & Friends section provides a total of 300 seats selling at an average price per season of ISK 192.000 (for 12 guaranteed events, estimated utilization of 75%). Again, as already mentioned, also the

business seat packages include an increased number of events when comparing to the international benchmarks above in order to offer additional incentive for season packages.

All of the above mentioned assumptions and figures for hospitality sales illustrate season ticketing character, as thus, from a business case as well as sales perspective, full utilization of hospitality capacities is most certainly achieved.

Hospitality Extra Sales

Additionally hospitality ticket sales include the additional marketing of hospitality capacities for other events next to the guaranteed events within the skybox and business seat packages (all KSI games plus additional top third party events totaling in a number of 12 events).

Most prominently only event boxes as well as business seat capacities of the Family & Friends category (representing the largest and architectural most adequate hospitality area within the new stadium) are explicitly sold on a singular basis for such extra events composed of the event types motorsports, equestrian, international artists and big festivals (currently calculated at 5 events per year). The price structure is stringent to the normal skybox and business seat categories, however, broken down to price per event. Additional costs, such as catering expenses (corresponding to the respective skybox and business seat categories assumed at 15%) and commission fees (marketer and/or promoter calculated at an international benchmark of 50%), have to be deducted accordingly.

NAMING RIGHTS

At this moment in time, the service and rights package of comprehensive naming rights deals (including communication aspects as well as unique stadium-related rights such as exclusive stadium advertising and dedicated hospitality capacities) is still quite an unexploited market tool in the Icelandic sports market, especially considering the opportunities offered by the New National Stadium Reykjavik's state-of-the-art infrastructure and its potential positive branding effects.

According to the long-lasting experience of Lagardère Sports in the successful commercialization of international naming rights, it is highly favourable, especially from a marketing perspective, to already sell a full-service naming rights deal at the very earliest stage (ideally before the construction/design process) in order to use a dedicated teaser campaign (e.g. making-of "story telling") for an as long as possible communications period. On top of that, additional sources of brand recognition and awareness will be established after the completion of a venue due to higher attractiveness as an event location as well as a general boom in the football, sports and event interest in Iceland/Reykjavik due to the new stadium's multifunctional characteristics.

Finally it has to be clearly stated that comprehensive naming rights packages uniformly represent long-term agreements and commitments (from three up to ten years on average), therefore allow for particularly close engagements between contractual parties and strong partnerships from a communicational point of view.

Comparable international naming rights benchmarks show highly diverse reference values according to region, existing sports landscape and infrastructure, local market conditions (footballing interest and national economic power), stadium size and many more. Therefore, the following showcases only illustrate a possible value range for the specific Reykjavik situation: especially in Germany, host of the FIFA World Cup 2006 and international benchmark in terms of modern football stadium infrastructure, the naming rights price range for new stadium developments unveils huge differences (from international top venues like Allianz Arena of Bayern Munich to smaller club stadia; please note that Germany does not possess a dedicated home stadium for its national team rather than a complex allocation system for home games spread all over modern stadiums across the country), however, an average Bundesliga stadium generates estimated EUR 3,5m (ISK 450m) via a dedicated naming rights deal per season (three to five years average contract duration).

Contrary to that, average benchmarks from Hungary (EUR 1,2m/ISK 150m, seven years contract duration plus option for further three years for Groupama Aréna Budapest) and Sweden (EUR 600k/ISK 76,5m, minimum 10 years contract duration plus active option for extension for Friends Arena Stockholm) provide dedicated home stadiums for their national football teams.

The calculations for the Reykjavik specific business case include conservative assumptions of ISK 66,5m according to the currently unaccustomed local market in terms of high profile naming rights for sports infrastructure and the resulting limited number of potential large-scale clients. However, thanks to international experience and transfer know-how from Lagardère Sports together with the comprehensive rights and service package included in a dedicated naming rights deal, this allows for a clear business plan upside in case of a professional marketing and sales approach.

Input from KSI:

The assumed license fee seems fairly ambitious?

Lagardère Sports' comments:

Similar to the already mentioned considerations in the section "Hospitality", the marketing and sales of stadium naming rights also represents one of Lagardère Sports' key tasks on an international level and therefore allows for its dedicated expert know-how.

In combination to Lagardère Sports' proven track record in the successful marketing & sales of international stadium naming rights (e.g. Germany, Hungary, etc), local data input was integrally included in the stated business case assumptions. Moreover, it is essential to understand the stadium naming rights package not only as a pure name-giving measure, but rather as one of the strongest and most holistic sponsorship rights (also including hospitality capacities, other advertising rights as well as huge public attention and media coverage ideally throughout the whole development process). Therefore it is one of the key issues to acquire a dedicated naming rights sponsor as early as possible in order to exploit the full potential of the naming rights deal during the entire project duration (i.e. attention as well as correlation of brand and stadium already before venue construction, positive connection within the general public and during media campaigns)

OTHER ADDITIONAL REVENUE STREAMS

Catering

The average consumption per spectator for events at the stadium, most prominently football matches, is highly influenced by a large variety of internal (e.g. number, conception and equipment of concession stands, level of service and personnel, quality and assortment of food and beverages, quantity of additional/mobile selling points) as well as external (e.g. purchasing power of spectators, weather conditions, quality of match/sport performance) factors.

The average catering turnover per football spectator in Germany amounts between EUR 3,50 (ISK 450) and EUR 6 (ISK 800), whereas the Hungarian market shows a comparable lower price range between HUF 770 (ISK 320) and HUF 1.300 (ISK 540) due to significant lower level of prices. However, the most related benchmarks, with regards to purchasing power and price level, from Scandinavia show average spectator consumption from SEK 43 (ISK 570) to SEK 77 (ISK 1.100) in Sweden.

With regards to the Reykjavik specific situation, the business case calculates with a fairly high-level assumption of ISK 1.600 average consumption per client for football matches. This is, however, justified by a general high price range for goods and services within Iceland combined with a completely new/improved catering and service situation of the New National Stadium Reykjavik offering modern event atmosphere (compared to the currently nearly non-existing catering situation at Laugardalsvöllur).

The corresponding assumptions for catering per head for other event categories are calculated on above mentioned basis for football matches adapted accordingly to the specific characteristics of respective event types, i.e. longer period of hospitalization for concerts (ISK 1.800/head) and other sports events (ISK 1.400/head), reduced food and beverage demand for entertainment events (ISK 1.200/head) and special events (ISK 1.000/head).

Commission earnings referring to the cause of public catering services (concession stands) are based on the assumption of a 20% commission of total net sales.

Input from KSI:

The assumed catering revenues per client seem very ambitious (supported by the benchmark of German average consumption of EUR 3,50 to EUR 6 per head).

Lagardère Sports' comments:

As already argued and illustrated within the assumptions and remarks to the business plan above, the estimated prices and income from public catering business of the New National Stadium Reykjavik not only relies on isolated German best practice cases (as stated within the report as reference values), but also include dedicated benchmarks from other comparable international/European markets and stadiums.

Nevertheless, the joint discussion together with KSI as well as once-again consultation with Lagardère Sports internal experts and especially local experts lead to a slight reduction of overall assumptions of average catering spending per head accordingly (football matches ISK 1.200/head, concerts ISK 1.800/head, entertainment events ISK 1.400/head, other sports and special events ISK 1.000/head respectively) – ***business case adapted accordingly.***

Corporate Events (incl. business catering)

The corporate events business of the new stadium is divided into MICE (meetings, incentives, conferences, exhibitions) and sponsoring events at the stadium, most prominently within the dedicated hospitality areas (incl. press areas and/or pitch).

Given common business practice from best practice cases all over Europe, the utilized areas within the stadium are rented out via a fixed fee for the stadium operator. Given the stadium's unique atmosphere and location, this venue will have a unique selling proposition in comparison to other corporate event locations (especially considering the emotional value of the nation's home football stadium). Furthermore all additional costs such as cleaning costs and insurance fees will be born by the event organizer. The assumed values refer to reference pricing of comparable markets (Germany, Hungary, Sweden) and are customized to local market conditions within Reykjavik/Iceland (please note that the final number of available spaces/sqm for rental purposes will be defined within the next step Design Phase).

In addition to that, the assumption to budget a commission of ISK 1.300/head for each guest/visitor from corporate event catering is based on general business practice to outsource such services to an external catering company.

Rentals

Income, based on international benchmarks combined with local market expertise, from rent and lease for offices represents another way of generating valuable revenue through available space within the stadium premises.

The calculated rental fees (price/sqm) consist of comparable international stadium benchmarks matched with local prices, charges and values in Reykjavik/Iceland (please note that the final number of available spaces/sqm for rental purposes will be defined within the next step Design Phase).

Others

Other income sources for the New National Stadium Reykjavik consists of overall assumptions from dedicated stadium tours (e.g. scheduled tours and/or group and business tours), venue utilization as a photo/film location as well as additional rental usage of the stadium facilities. All of the mentioned assumptions are based on general rental fees from international benchmarks adapted to the local price level in Reykjavik/Iceland.

STADIUM-RELATED EXPENSES

As important as the revenue side, the expenditures from comprehensive stadium operations of the New National Stadium Reykjavik represent a major influencing factor for the project's overall business success.

Therefore, Lagardère Sports uses its general stadium operation expertise and international benchmarks from comparable stadia in order to adapt/integrate the specific figures from abroad and to adapt them to market appropriate local figures for Reykjavik/Iceland.

EXECUTIVE SUMMARY

After reviewing Lagardère Sports' original business case together with its client KSI, the resulting key figures/indicators as well as major findings can be stated and summarized:

The output of the general conservative business plan calculations result in a total positive result of ISK 110,5m (EUR 876,9k) in the third year of operations (in order to illustrate a long-term development and perspective, these results are projected with a two percent increase in revenues and expenses for the upcoming years²).

This operational result helps to contribute to a successful amortization of the stadium's dedicated development investment, however, in order to fully exploit the project's overall business potential it is highly advisable to include additional usage modes for possible areas/facilities within the stadium territory, e.g. elite performance/youth academy infrastructure, educational and medical excellence centres, hotel/shopping center/retail outlets (for detailed information please refer to chapter "1.1.6 *Economic Review on specific stadium-related Building Components*" / "Appendix: additional related and/or conducive facilities and business units" within the report).

² Please note that after calculational year 8 for some events full utilization of total stadium capacities is reached and therefore continuous forecasts are maintained

GENERAL REFLECTIONS OF TAXES IN THE BUSINESS PLAN

Input from KSI:

Can you verify the general taxation situation for the New National Stadium Reykjavik (sports facilities in Reykjavik not subjected to certain taxes), especially considering the new stadium's multi-functionality and additional third party events?

Lagardère Sports' comments:

The general taxation situation for specific building components in Reykjavik is not part of the delivered report's scope of services (as stated within the appendix "scope of services" to the agreement between KSI and Lagardère Sports "Feasibility Study – New National Stadium Reykjavik/ Iceland") and would need further detailed assessment by local experts.

However, Lagardère Sports, from its operational experience and expertise, wants to point out that it is not common practice to pay taxes on certain events within a stadium's usage program mix, rather than being accounted for applicable taxation on the overall operational business results (in the specific Reykjavik situation Lagardère Sports felt the necessity to point to the fact that sports facilities in Reykjavik are not subject to property tax in order to include and clarify this particular fact/information for all involved stakeholders within the stadium project, i.e. the city of Reykjavik not generating tax revenues to the specific property tax regulations for dedicated sports facilities)

SUGGESTED SIZE OF THE STADIUM & ALLOCATION OF HOSPITALITY CAPACITIES

Input from KSI:

Have there been any domestic surveys carried out leading to the suggested size and allocation (in-depth elaboration)?

Lagardère Sports' comments:

Considering the suggested ideal total capacity of the New National Stadium Reykjavik (as described in detail in chapter "1.1.3 Definition of ideal Total Public Capacity for the Reykjavik Multifunctional Stadium" within the report) the elaborations made by Lagardère Sports incorporate all major influencing factors: ideal cost-benefit ratio regarding construction and operation (overproportional increase of construction costs starting between total capacity of 25.000–30.000 due to the necessity of a second tier), realistic average demand scenario for all KSI football matches (aim to sell out maximum number of home games and not only top-level matches), minimum requirements for international third party event promoters (special focus on highly profitable international concerts starting around 20.000 in stands / min. 10.000 with pitch usage spectators/event) as well as most efficient multi-functional character of the stadium in order to attract a large number of additional events (increasing the stadium's awareness and significance for the city/entire Reykjavik region).

With regards to the suggested definition and allocation of hospitality capacities it has to be stated that the nearly non-existing hospitality infrastructure (especially for sports venues) together with the distinct nature and characteristics of Iceland's society in general, lead to the fact that the approach of dedicated VIP offerings remains a fairly new conception for Iceland's sports venue landscape (please also refer to chapter "1.1.4 Definition of ideal Hospitality Capacity for the Reykjavik Multifunctional Stadium" within the report). Considering the specific situation in Reykjavik/Iceland itself, local data research and expertise have been combined together with Lagardère Sports' distinctive expert know-how in the fields of stadium planning and operations as well as hospitality conception, marketing and sales (please also refer to the section "hospitality" within this document)

However, it once again has to be clearly stated that from Lagardère Sports' long-lasting operational experience the detailed planning and conception of hospitality areas remains one of the most decisive economic factors for sustainable operational success of a multifunctional venue, especially when considering the large development potential of hospitality- and business-related capacities within Reykjavik/Iceland during a stadium's lifecycle.

SURROUNDING / ADJACENT AREAS

Input from KSI:

Request to include further "commercial areas" within the "stadium-walls" (such as hotels, public restaurants, leisure or shopping opportunities etc.) should also be addressed in the report.

Lagardère Sports' comments:

As clearly stated in chapter "1.1.6 Economic Review on specific stadium-related Building Components" within the report, the concept to include other commercial viable facilities within the stadium's overall project plays an essential part in Lagardère Sports' final report regarding the joint agreement "Feasibility Study – New National Stadium Reykjavik/ Iceland".

However, the business plan related assumptions of such additional facilities/usage modes can not be included in the business case at this specific stage of the project, due to the outstanding issues with regards to the stadium's overall design (to be further defined within next step "Pre-Tender / Design Phase") as well as the necessary commitment from the city of Reykjavik and its Urban Planning Department (i.e. designation of the stadium area and its surroundings). Ideally any additional business scenarios including extra facilities/business units within the stadium territory are calculated on an independent basis in order to transparently illustrate possible enhancements and synergies.