

Financial Statements



Fly PLAY hf.

1 January to 30 June 2021

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Statement by the Board of Directors and the CEO

The Interim Financial Statements has been prepared in accordance with the Financial Statements Act and generally accepted accounting principles of Iceland and are in all main aspects based on the same accounting principles as for the previous year. The Interim Financial Statements are presented in US dollars, which is the Company's functional currency. The Interim Financial Statements have been reviewed by the Company's independent auditors. The Company will adopt and implement International Financial Reporting Standards (IFRS) for the Financial Statements for the year ended 31 December 2021. There are not considered to be material changes in accounting principles resulting from the implementation or any material effect on the Company's financial position.

According to the Financial Statement total loss for the period was \$1.8 million. Equity on 30 June 2021 amounted to \$87.1 million, including share capital in the amount of \$5.6 million and share premium of \$85.4 million. Reference is made to the Statement of Changes in Equity regarding the information on changes in equity.

PLAY has had an excellent start to its initial operations. The second quarter figures are atypical as they only include the first three commercial flights of the airline.

PLAY successfully raised funds of \$34.9 million through an Initial Public Offering (IPO) and is now traded on the Nasdaq First North Growth Market Iceland. PLAY holds a strong cash position with total liquidity of \$77.8 million. This strong cash position enables PLAY to pursue business opportunities, follow through with its business plan and be prepared for turbulent market conditions.

The COVID-19 pandemic is having a significant effect on worldwide aviation and financial markets and the Icelandic economy. There remains uncertainty on the progression of the pandemic and its impact on PLAY. The speed of vaccine programs and various governmental restrictions will impact customers and airline travel demand. The Company management continues to position the Company in line with ongoing market conditions and when demand will return to more normal levels.

PLAY has signed a labor agreement with The Icelandic Aviation Union (Íslenska Flugstéttarfélagið) which expires in 2025. As part of its contractual obligations, PLAY cannot enter labor negotiations with other labor unions. However, The Icelandic Cabin Crew Association (Flugfreyjufélag Íslands) has indicated it may take actions against PLAY if the Company does not sign a labor agreement with its members. Should such adverse actions be initiated, PLAY will pursue applicable options to protect its interests.

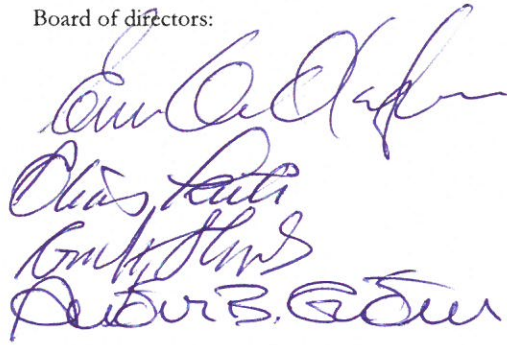
We hereby confirm that the interim financial statements for the period from 1 January to 30 June 2021, to the best of our knowledge, have been prepared in accordance with the Financial Statements Act and generally accepted accounting principles of Iceland and that the information in the accounts gives a true and fair view of the Company's assets, liabilities, financial position, and overall results.

Further, in our opinion, the Interim Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of PLAY's operations and its position and describes the principal risks and uncertainties faced by PLAY.

The Board of Directors and the CEO have today discussed the Interim Financial Statements of PLAY for the period from 1 January to 30 June 2021 and confirm them by means of their signatures.

Reykjavík, 31 August 2021

Board of directors:



CEO:



Independent Auditors' Report

To the board and shareholders of Fly PLAY hf.

Introduction

We have reviewed the accompanying Interim Financial Statement of Fly Play hf. as of 30 June 2021 and the related Income Statement, Balance sheet, Statement of cash flows, Statement of changes in equity and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these Interim Financial Statements in accordance with the Financial Statement act no. 3/2006 in Iceland. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements do not give a true and fair view of the financial position of Fly PLAY hf. as of 30 June 2021, and of its financial performance and its cash flow for the six month period then ended with Financial Statements act no. 3/2006 in Iceland.

Reykjavík, 31 August 2021

Grant Thornton endurskoðun ehf.



Sturla Jónsson
State Authorized Public Accountant

Income Statements for the sixth months ended 30 June 2021

	Notes	1/1-30/6 2021	1/1-30/6 2020
Operating income			
Transport revenue		43,409	0
		<u>43,409</u>	<u>0</u>
Operating expenses			
Salaries and related expenses	4	(1,499,554)	(167,553)
Aviation expenses		(305,972)	0
Other operating expenses	5	(1,854,908)	(1,289,808)
Depreciation and amortisation	7-9	(356,587)	0
		<u>(4,017,021)</u>	<u>(1,457,361)</u>
Result for the period before financial items		(3,973,612)	(1,457,361)
Financial income and expenses			
Financial income		1	0
Financial expenses		(63,453)	(31,996)
Foreign exchange difference		1,054,734	413,431
		<u>991,282</u>	<u>381,435</u>
Result for the period before tax		(2,982,329)	(1,075,926)
Income tax	6	1,152,465	0
Net result for the period		<u>(1,829,864)</u>	<u>(1,075,926)</u>

Balance Sheet as at 30 June 2021

Assets	Notes	30/6 2021	31/12 2020
Right-of-use assets	7	30,187,820	0
Intangible assets	8	8,668,260	6,365,873
Operating assets	9	945,892	0
Receivables and deposits	10	3,225,556	0
Tax assets	6	1,152,464	0
Non-current assets		<u>44,179,992</u>	<u>6,365,873</u>
Accounts receivables and other	11	39,687,169	230,434
Cash and cash equivalent		42,066,019	6,579
Current assets		<u>81,753,189</u>	<u>237,012</u>
Total assets		<u>125,933,181</u>	<u>6,602,886</u>
Liabilities and stockholders' equity	Notes	30/6 2021	31/12 2020
Share capital		5,606,339	416,875
Share premium		85,371,268	0
R&D reserve		8,668,260	6,365,873
Accumulated losses		(12,541,605)	(8,765,931)
Stockholders' equity	12	<u>87,104,263</u>	<u>(1,983,183)</u>
Lease liabilities	13	28,207,579	0
Non-current liabilities		<u>28,207,579</u>	<u>0</u>
Related parties	15	0	7,207,374
Deferred revenue		3,821,873	0
Accounts payables		3,044,261	1,063,231
Accrued liabilities and expenses	14	1,620,626	315,464
Current maturities of lease liabilities	13	2,134,579	0
Current liabilities		<u>10,621,339</u>	<u>8,586,069</u>
Total liabilities		<u>38,828,918</u>	<u>8,586,069</u>
Liabilities and stockholders' equity		<u>125,933,181</u>	<u>6,602,886</u>

Statement of cash flows for the sixth months ended 30 June 2021

	Notes	1/1-30/6 2021	1/1-30/6 2020
Operating activities			
Net result for the period		(1,829,864)	(1,075,926)
Items not affecting cash:			
Depreciation	7-9	356,587	0
Unrealized currency exchange difference		(2,522,521)	(360,967)
Tax asset	6	(1,152,465)	0
		<u>(5,148,263)</u>	<u>(1,436,893)</u>
Change in current assets and liabilities:			
Change in trade and other receivables		(4,498,690)	149,493
Change in trade and other payables		6,886,135	(3,088,493)
		<u>2,387,445</u>	<u>(2,939,000)</u>
		<u>(2,760,818)</u>	<u>(4,375,893)</u>
Investing activities			
Deposits		(3,229,582)	0
Investment in operating assets	9	(956,235)	0
Investment in intangible assets	8	(2,498,162)	(1,534,698)
		<u>(6,683,979)</u>	<u>(1,534,698)</u>
Financing activities			
Loans from shareholders		2,792,626	5,796,006
Proceeds from share issue		47,627,892	0
		<u>50,420,518</u>	<u>5,796,006</u>
Increase (decrease) in cash		40,975,721	(114,585)
Cash and cash equivalents at beginning of period		11,617	124,355
Foreign exchange difference on cash		1,078,681	1,846
Cash and cash equivalents at end of period		<u>42,066,019</u>	<u>6,579</u>
Investment and financing without cash flow effect			
Acquisition of right-of-use assets		(30,338,289)	0
New leases		30,338,289	0
Loans from shareholders		(10,000,000)	0
Share capital increase		10,000,000	0

Changes in equity for the sixth months ended 30 June 2021

1 January to 30 June 2021

	Share capital	Share premium	R&D reserve*	Accumulated loss	Total
Equity 1 January 2021	416,875	0	6,365,873	(8,765,931)	(1,983,183)
Share capital decrease netted against losses	(356,577)			356,577	0
Debt converted to share capital	783,686	9,216,314			10,000,000
Share capital increase	4,762,356	76,154,954			80,917,310
R&D reserve transfers			2,302,387	(2,302,387)	0
Loss for the period				(1,829,864)	(1,829,864)
Equity 30 June 2021	<u>5,606,339</u>	<u>85,371,268</u>	<u>8,668,260</u>	<u>(12,541,605)</u>	<u>87,104,263</u>

1 January to 30 June 2020

	Share capital	Share premium	R&D reserve*	Accumulated loss	Total
Equity 1 January 2020	416,875	0	2,120,767	(2,607,737)	(70,096)
R&D reserve transfers			1,534,698	(1,534,698)	0
Loss for the period				(1,075,925)	(1,075,925)
Equity 30 June 2020	<u>416,875</u>	<u>0</u>	<u>3,655,465</u>	<u>(5,218,360)</u>	<u>(1,146,021)</u>

*See note 12

Notes to Interim Financial Statements

1. General information

Reporting entity

Fly Play hf. (the 'Company') is domiciled in Reykjavík, Iceland. The Company primarily operates in the airline industry. The Company is listed on the Nasdaq First North Iceland effective from 9 July 2021.

Summary of accounting principles

Basis of preparation

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

The accounting policies and methods of computation applied in these Interim Financial Statements are the same as those applied by the Company in its Financial Statements as at and for the year ended 31 December 2020.

Use of judgements and estimates

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

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

Adoption of International Financial Reporting Standards (IFRS)

3. The Company will adopt and implement International Financial Reporting Standards (IFRS) for the Financial Statements for the year ended 31 December 2021. There are not considered to be material changes in accounting principles resulting from the implementation or any material effect on the Company's Financial position.

Salaries and other employee expenses

4. Salaries and related expenses are as follows:	30.6. 2021	30.6. 2020
Salaries and earned vacation	2,666,835	1,242,491
Pension fund contributions	269,136	160,353
Other salary related expenses	172,053	108,542
Capitalized salary expenses as intangible assets	(1,608,470)	(1,343,833)
Salaries and related expenses total	<u>1,499,554</u>	<u>167,553</u>
Average number of employees	38.7	31.6

Other operating expenses

5. Other operating expenses are as follows:	30.6. 2021	30.6. 2020
Housing and office expenses	155,440	73,410
Equipment and other supplies	19,062	1,047
Marketing and sales expenses	486,371	147
IT cost	473,061	453,678
Travel and other employee expenses	502,885	41,354
Audit, legal and other professional services	218,089	720,172
Other operating expenses total	<u>1,854,908</u>	<u>1,289,808</u>

Taxes

6. The entity does not pay any income tax related to the period due to taxable losses. Loss carries forward amounts to \$11.7 million at the end of the year. Loss carries forward can be used to offset taxable income for 10 years.

Deferred tax asset is recognized in the financial statements as of January 1, 2021. It was not recognized in previous financial statements due to uncertainty of its useful life. Based on the Company's long-term business plan the losses carried forward will be used to offset future profits. The tax asset as of January 1 is valued at \$473,293.

Effective tax rate is specified as follows:

	30.6. 2021		30.6. 2020	
	Amount	Tax rate	Amount	Tax rate
Losses before taxes	(2,982,329)		(1,075,926)	
General income tax rate	(596,466)	20.00%	(215,185)	20.00%
Reassessment of tax asset:				
Previously unrecognized	(473,293)	15.87%	215,185	-20.00%
Currency exchange difference	(82,705)	2.77%		
	<u>(1,152,464)</u>	<u>38.64%</u>	<u>0</u>	<u>0.00%</u>

Right-of-use assets

7. Right-of-use assets and their amortization are specified as follows:

	Aircrafts
Additions during the period	30,338,289
Depreciated during the period	<u>(150,469)</u>
Book value 30.6. 2021	<u>30,187,820</u>
Depreciation percentage	11%

Intangible assets

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

	Aviation licence	Brand	Software	Total
Total value 1.1. 2021	2,949,951	792,511	2,623,412	6,365,873
Additions during the period	1,302,106	284,364	911,692	2,498,162
Amortized during the period	<u>(13,986)</u>	<u>(139,342)</u>	<u>(42,447)</u>	<u>(195,775)</u>
Book value 30.6. 2021	<u>4,238,071</u>	<u>937,533</u>	<u>3,492,657</u>	<u>8,668,260</u>
Amortization percentage	20%	33%	33%	

Operating assets

9. Operating assets and their depreciation are specified as follows:

	Aircraft parts and equipment	Vehicles	Computer equipment	Total
Additions during the period	705,717	135,291	115,227	956,235
Depreciated during the period	<u>(3,019)</u>	<u>(1,921)</u>	<u>(5,403)</u>	<u>(10,343)</u>
Book value 30.6. 2021	<u>702,698</u>	<u>133,370</u>	<u>109,824</u>	<u>945,892</u>
Depreciation percentage	20%	14%	33%	

10. Receivables and deposits

Payments to lessors or airports as collaterals, and restricted cash for the same purpose, are recognized as long-term receivables in the Balance sheet.

Receivables and deposits are specified as follows:

	30.6. 2021	30.6. 2020
Balance at January 1	0	0
Cash payments	3,230,045	0
Currency exchange difference	(4,489)	0
Balance at June 30.....	<u>3,225,556</u>	<u>0</u>

11. Accounts receivables and other

	30.6. 2021	31.12. 2020
Trade receivables	4,287,627	0
IPO share offering (see note 12)	34,962,167	0
VAT for refund	332,267	141,312
Prepaid expenses	85,794	67,726
Other	19,314	21,396
	<u>39,687,169</u>	<u>230,434</u>

Stockholders' equity

12. The Company's capital share at the end of the period amounted to 700 million ISK (\$5,606,339). One vote is attached to each share of one ISK.

In April 2021 the Company's share capital was decreased by netting part of its accumulated loss. Furthermore, the sole shareholder converted shareholder loans to equity valued at \$10 million. The Company then initiated a private placement with a transaction size of \$47.6 million.

In parallel with the listing of the Company's share on the Nasdaq First North a second part of the round of financing was launched in June 2021. The IPO resulted in \$35 million paid in capital. The subscription period was closed on 25 June and all subscriptions fully paid on 5 July.

The direct transaction cost of the two share offerings, the private placement in April and the IPO in June, amounted to \$1.7 million and was deducted from equity.

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

Lease liabilities

13. The Company entered into lease agreements during the period which constitute a financial lease under IFRS 16, for three used Airbus 320neo aircraft. At the financial date one aircraft had been delivered and right-of-use asses and lease liabilities recognized accordingly.

Lease liabilities at the end of the period are as follows

	Discount rate	Maturity
Aircraft, lease payments in USD	3.88%	9 years
Changes during the period are as follows:	30.6. 2021	30.6. 2020
Balance at January 1	0	0
New leases	30,338,289	0
Accrued interest	3,869	0
Balance at 30 June	<u>30,342,158</u>	<u>0</u>
Current maturities	<u>(2,134,579)</u>	<u>0</u>
Total non-current lease liabilities	<u>28,207,579</u>	<u>0</u>

Installments of lease liabilities are distributed over the next 5 years as follows:

1.7.2021-30.6.2022	2,134,579
1.7.2022-30.6.2023	2,934,392
1.7.2023-30.6.2024	3,321,827
1.7.2024-30.6.2025	3,453,169
1.7.2025-30.6.2026	3,587,152
Later installments	14,911,038
Lease liabilities total	<u>30,342,158</u>

14. **Accrued liabilities and expenses**

	30.6. 2021	31.12. 2020
Unpaid airport taxes	480,115	0
Pension funds and other payroll liabilities	568,778	315,464
Vacation fund	571,733	0
	<u>1,620,626</u>	<u>315,464</u>

Related parties

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

Liabilities due to related parties on 31 December 2020 were against one of the Company's shareholders, Fea ehf. The shareholder loan was converted to equity in April 2021.

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

Events after the reporting date

16. In July 2021 two Airbus 320neo aircraft were delivered. As a result, the Company will recognize right-of-use assets and lease liabilities in the amount of \$61.1 million. Also PLAY signed a lease agreement for new office space which will result in the recognition of right-of-use assets and lease liabilities in the amount of \$1.0 million.

Other matters

17. The COVID-19 pandemic is having a significant effect on worldwide aviation and financial markets and the Icelandic economy. There remains uncertainty on the progression of the pandemic and its impact on PLAY. The speed of vaccine programs and various governmental restrictions will impact customers and airline travel demand. The Company management continues to position the Company in line with ongoing market conditions and when demand will return to more normal levels.

Approval of the Interim Financial statements

18. The Board of directors approved the Interim Financial Statements on 31 August 2021