

# PLAY

## Interim Report



January–March 2022

## Interim Report January — March 2022

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### Highlights of operations in Q1

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- › In January, PLAY carried approx. 13,500 passengers, and the load factor was 55.7%
  - › The surge of COVID-19 infections at the end of 2021 due to the spread of the Omicron variant had a negative impact on booking inflow. As a result, PLAY's schedule was adjusted in January and into February
  - › On-time performance was 88.5%
  
- › In February, PLAY carried approx. 20,000 passengers, and the load factor was 67.1%
  - › Booking inflow started to improve
  - › New destinations were very well received, and consumers' confidence returned as the effects of COVID-19 dissipated
  - › On-time performance was 85.7%
  
- › In March, PLAY carried approx. 24,000 passengers, and the load factor was 66.9%
  - › 20% increase in passenger numbers from the previous month
  - › On-time performance was 90.1%
  
- › PLAY launched ticket sales to New York on February 1. PLAY's first flight to New York will be on June 9, with daily flights. PLAY will fly to New York Stewart International Airport and will be the first airline to operate international flights from the airport after the pandemic
  
- › PLAY's first Airbus320neo aircraft arrived in Iceland on March 2
  
- › PLAY hired 45 pilots and over 100 new cabin crew members in Q1 that will join the team before the summer season. The training of new crew members started in February, with the last training courses starting in May
  
- › Negative EBIT in Q1 2022, as expected as the company has yet to reach economies of scale. The Omicron variant impacted revenue during the quarter, and the war in Ukraine resulted in higher fuel price towards the end of the quarter
  
- › PLAY continues to hold a strong financial position with an equity ratio of 22% and a cash position of US dollar (USD) 42 million
  
- › Previously communicated guidance remains unchanged

“As we close the first quarter of 2022, we see and feel a growing demand in the market and a great response to our new destinations. The company has clearly gained momentum, market share, and strength very quickly. After a challenging winter 2021–22, due to COVID–19, it is good to see this positive feeling materialize in an increased load factor and a growing number of passengers month after month.

The Omicron variant impacted both our load factor and passenger numbers, especially in January and February, and we responded by adjusting our schedule and reducing capacity for the month. We also reallocated capacity from weaker markets to stronger markets. In February, we saw that people’s attitude towards the pandemic was changing and most were ready to travel again. Our utilization improved, and booking trends grew fast.

This quarter, we took steps towards expanding our fleet, staff number and network, and we are confident that we are increasing our capacity at the right time as market demand has clearly recovered.

April was an eventful month for PLAY, with our first flight to the U.S. on April 20 to Baltimore/Washington D.C. This event marked a new chapter in the company’s history as consumers on both sides of the Atlantic can now connect via PLAY’s hub in Iceland and enjoy the low fares that PLAY has to offer. The launch of the U.S. operation was a great success and is a major achievement, with one of PLAY’s long–term goals being reached. PLAY’s next U.S. destination, Boston, launched on May 10, and we will have our inaugural flight to New York on June 9. Additionally, PLAY will start operations to twelve new destinations in Europe and the U.S in May and June. This means that in summer 2022, PLAY will serve 21 destinations on both sides of the Atlantic, so it is safe to say that we have some very exciting times ahead.

The team at PLAY has worked tirelessly towards the goal of launching the transatlantic operation as well as our many new European destinations, and it has been great to watch all the pieces come together thanks to their precision, professionalism, and skills.

PLAY is heading into the spring and summer with strong booking trends. PLAY expects that utilization will continue to improve in the coming months with the addition of the VIA market to PLAY’s network as we have started connecting cities in Europe and the United States. We have already seen that once new routes start operating, bookings pick up. For example, since we launched operations to Baltimore/Washington D.C., we have seen strong booking momentum at the same time as fares have gone up.

The financial position of PLAY continues to be strong, with a strong balance sheet and healthy cash position. After challenging months of COVID–19, air traffic seems to be recovering nicely, and booking flow is picking up steadily. PLAY continues to work its way towards a further economy of scale with CASK excluding fuel steadily decreasing. PLAY foresees reaching its goal of CASK under four cents in summer 2022.

Our mission for the future is clear and if we continue to focus on our cost base, use all available digital solutions, and above all, put our customers first, then I know that we will be successful in our quest to build PLAY into a powerful and leading company in our core markets.”

**Birgir Jónsson, CEO**

## Key performance indicators

<b>USD millions</b>	<b>Q1 2022</b>	<b>Q4 2021</b>
<b>Operating income</b>	<b>9.64</b>	<b>9.63</b>
<b>Operating expenses</b>	<b>17.36</b>	<b>17.27</b>
<b>EBITDA</b>	<b>-7.72</b>	<b>-7.64</b>
<b>Operating result – EBIT</b>	<b>-13.33</b>	<b>-12.92</b>
<b>EBIT margin %</b>	<b>-138%</b>	<b>-134%</b>
<b>Results for the period before tax – EBT</b>	<b>-13.98</b>	<b>-14.00</b>
<b>Net results for the period</b>	<b>-11.26</b>	<b>-10.81</b>
<b>Assets</b>	<b>256.33</b>	<b>204.08</b>
<b>Liabilities</b>	<b>199.81</b>	<b>136.68</b>
<b>Equity</b>	<b>56.50</b>	<b>67.40</b>
<b>Equity ratio %</b>	<b>22.1%</b>	<b>33.0%</b>
<b>Cash and cash equivalents</b>	<b>42.12</b>	<b>51.73</b>
RASK US\$ cents	4.0	3.9
CASK US\$ cents	9.6	9.1
CASK excl. fuel US\$ cents	7.9	6.7
ASK in millions	238.3	247.4
Load factor %	62.0%	0.6
Passengers flown (000s)	55.5	58.2
Stage length in (KM)	2,540	2,421.7
Airfare per passenger USD	125.2	119.2
Ancillary per passenger USD	46.4	46.0
Yield per passenger USD	171.6	165.2

## Operational review

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### Course of business

In January, PLAY carried 13,488 passengers with a load factor of 55.7%. A surge in COVID-19 cases at the year-end of 2021 caused hesitation amongst passengers to book their travel, and PLAY adjusted its schedule and reduced capacity in January to reflect this. In January, the first A320neo, TF-PPA, went through extensive reconfiguration with new seats in the cabin installed, the aircraft painted in PLAY's livery, and additional technical equipment installed before the aircraft was delivered to PLAY in March. PLAY added Salzburg to the network in January.

PLAY carried 19,686 passengers in February with a load factor of 67.1%. On February 1, PLAY launched ticket sales to New York. PLAY's first flight to New York will be on June 9, and flights will be operated daily. PLAY will fly to New York Stewart International Airport and will be the first airline to operate international flights from the airport after the pandemic. This will be a major benefit for the millions of people living in the area and the local tourism industry. This is PLAY's third destination in the United States as flights to Baltimore/Washington, D.C. will begin in April, and to Boston in May. The cost of operating at New York Stewart Airport is significantly lower than other airports in New York, making it possible for PLAY to offer the lowest fares between New York and Europe. Because of less traffic at the airport, PLAY's aircraft will spend less time in holding patterns and taxiing on ground, saving fuel, operating expenses, and reducing carbon emissions. This aligns well with PLAY's strategy of offering the lowest prices and comfortable and relaxed services in an environmentally-friendly manner.

PLAY carried 23,677 passengers in March, which is a 20% increase from the previous month. The load factor in March was 66.9%. PLAY's first Airbus A320neo aircraft, TF-PPA, arrived in Iceland on March 2 and began flying passengers within the network.

### Operational excellence — Safe and efficient operation

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Safety is PLAY's highest priority and the most critical factor when evaluating the operational excellence of the airline. During the first winter, PLAY faced new challenges with frequent storms causing disruptions to the schedule that PLAY managed to minimize.

During the Q1 2022, the focus was on preparation for the airlines' operational ramp-up before the summer schedule and the hub-and-spoke operation, including hiring and training of new employees, preparing 14 new destination airports being added to PLAY's schedule in spring and summer 2022, working with the U.S. authorities in finalizing procedures and permits for the US operation and adding three new aircraft to the fleet.

The team has been dedicated to ensuring a continued safe launch of the operation. The focus has been on hiring experienced, qualified employees, a smooth ramp-up of the operation, and maintaining excellent cooperation with relevant authorities. PLAY remains dedicated to preserving the industry's highest safety standards.

PLAY's on-time performance in the first ten months of operation was above expectations, with 92.6% of flights arriving on time.

## Fleet

PLAY has secured the first ten aircraft in the fleet, all from the Airbus A320neo family. The ten aircraft meet PLAY's requirements and aircraft needs until summer 2023 when PLAY plans to operate a fleet of ten aircraft. Further expansion is planned in 2024 and 2025 when PLAY is planning to operate a fleet of twelve and fifteen aircraft, respectively.

PLAY signed a lease agreement for two new A320neo aircraft in Q3 2021 that went through cabin reconfiguration work and paintwork in Q1 2022 before being delivered to PLAY. The first A320neo was delivered to PLAY in March and the second arrived in April.

In summer 2022, the fleet will consist of three A320neos and three A321neos as originally planned in spring 2021.

PLAY had signed a letter of intent for an A321LR in January, but an agreement was not concluded. Due to the current market environment, PLAY secured a replacement aircraft with AerCap on a more favorable terms, an A320neo that will join the fleet in Q2 2022.

At the end of Q1 2022, PLAY operated four A320neo family aircraft with an average age of 3.0 years (three A321neo, and one A320neo) on leases with AerCap and CALC.

PLAY's fleet as of 31.3.2021	#	Change from 31.12.2021	Leased	Average fleet age
Current fleet				
Airbus A320neo	1	1	1	0.3
Airbus A321neo	3	0	3	3.9
Future fleet				
Airbus A320neo	5	5	5	
Airbus A321neo	1	1	1	
Total	10	7	10	
Aircraft lessors: AerCap and CALC				

## Network

Due to a surge in COVID-19 infections with the spread of the Omicron variant at the end of 2021, the company decided to adjust its schedule in January and February. As a result, seat capacity in January and February was 29% lower than initially planned. Seat capacity in the Q1 2022 was 20% lower than originally planned.

After the war began in Ukraine at the end of March, PLAY decided to modify its schedule for summer 2022 and cancel services to Stuttgart. The capacity that had been allocated to Stuttgart was re-allocated to existing routes within the network.

## Sustainability

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PLAY has taken firm steps towards building a solid ground for its long-term sustainability journey. At PLAY, sustainability addresses the company's climate impact and actions as well as social topics and governance. The first step in the process of building a solid sustainability ground was to conduct a materiality assessment to receive feedback from the company's employees and 60 largest shareholders. The results from the materiality assessment became the most important sustainability topics for PLAY to focus on and provided the tools to create the sustainability strategy and key performance indicators linked to the strategy. Furthermore, the company's carbon footprint baseline was measured according to GHG protocol and received assurance of our scope 1 and 2 by Verifavia. In line with PLAY's policy on transparency, a very detailed financial and sustainability report was prepared, which disclosed all above-mentioned projects as well as the company's first ESG report, in accordance with the Nasdaq guide.

PLAY also started offering passengers the option to carbon offset their flights with high-quality carbon removal projects. Importance was placed on providing passengers with the option to fly as climate friendly as possible, crossing the Atlantic in the most environmentally friendly aircraft on the market.

With the sustainability strategy, goals, and actions, PLAY is determined to have a positive impact through its operations. This enables the company to minimize sustainability-related risks and seek potential opportunities — to better serve its customers, avoid unnecessary costs and realize financial savings. PLAY takes responsibility for the impact it has, focusing on long-term value and vision, seeking to know all stakeholders and meet their requirements and embracing collaboration and transformative changes beyond the company. The goal in doing so, is ultimately having a positive impact.

## Culture and ways of working

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PLAY continued to grow in Q1 2022, and 48 new employees were onboarded, 7 cabin crew members, 21 flight crew members, and 20 office employees, thereof 10 in the Vilnius office. PLAY celebrates diversity and keeps a focus on equality in all positions, with the gender ratio remarkably close to being equal in the company.

The company's current employees are of 13 different nationalities, with an average age of 36.8 years.

A great emphasis is placed on creating a good and healthy culture in the workplace at PLAY. In March, five cross-departmental culture workshops were held in co-operation with highly experienced consultants from Strategic Leadership Group. All employees were invited to participate, and the outcome exceeded expectations. The workshops provided many ideas to work with going into the next phase of operation.

In February, PLAY conducted an employee engagement survey using Gallup Access. The participation rate was 97%, which is a great achievement. The results were very positive, with an engagement score of 4.22, job satisfaction score of 4.22, and pride 4.37, on a scale of 1-5. Even though there is always room for improvement, the results show that PLAY is on the right track.

In Q1 2022, hundreds of interviews were conducted with applicants for crew positions. All flight crew recruitments were finalized and most of the cabin crew recruitments. Training of new crew members started in February and will be ongoing until June.

## Financial performance

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The financial results for Q1 2022 were negative, with a negative EBIT of USD 13.3 million as expected as the company has yet to reach economies of scale. Q1 2022 revenue was impacted by capacity adjustments that were made in January and February due to the Omicron variant. Operating expenses were in line with what had been expected, with the exception of higher fuel prices towards the end of the quarter due to the war in Ukraine. Cost related to the purchase of EU Emissions Trading Scheme (ETS) units relating to 2021 was lower than expected, resulting in a positive effect on ETS cost in Q1 2022. PLAY continues to hold a strong financial and cash position, allowing the company to follow its business plan and continue to build infrastructure for future growth.

INet loss for the period amounted to USD 11.2 million for the first three months of 2022 compared to 0.4 USD million for the same period last year before PLAY started flight operations.

### Income statement

Revenue for Q1 2022 was USD 9.6 million, of which USD 7 million was related airfare revenue and USD 2.2 million was related sales of ancillary services.

Total operating expenses in Q1 2022 were USD 17.3 million, of which salaries and related expenses were USD 4.6 million. Aviation expenses were USD 9.1 million. Aviation expenses include, amongst other items, fuel, aircraft maintenance and aircraft handling. Other operating expenses were USD 3.6 million, including marketing, IT, training and other personnel costs. Many supporting functions, such as IT and aircraft maintenance, are outsourced as much as possible in line with PLAY's business strategy. Operating loss (EBIT) for Q1 was USD 13.3 million.

Depreciation and amortization amounted to USD 5.6 million and are primarily related to aircraft leases of three aircraft and reserves. Investment relating to the delivery of aircraft, brand creation, software development and salary have been capitalized.

The foreign exchange gain of USD 0.7 million for the period is due to the weakening of the ISK against the USD. Over 50% of PLAY's revenue is in ISK, whilst the functional currency is USD and financial statements are reported in USD. Income tax from taxable loss is USD 2.7 million.

### Balance sheet

Total assets amounted to USD 256.3 million. Total non-current assets were USD 194.7 million, of which USD 162.2 million is the right-of-use-assets for the four aircraft in operation, capitalized maintenance parts and provision for maintenance cost of leased aircraft. Operating assets were USD 3.8 million and comprised of IT equipment and other equipment. Aircraft deposits and instalments amounted to USD 8.8 million, relating to the four aircraft in the fleet, airport handling, and other bank guarantees. Income tax credit was USD 8.7 million due to transferable loss.

Total current assets were USD 61.6 million, of which cash and cash equivalents were USD 42.1 million and accounts receivables and prepaid expenses USD 19.17 million relating to increased sales and therefore liability of acquirer.

Total equity at the end of Q1 2022 was USD 56.5 million, equaling an equity ratio of 22%. Non-current liabilities amounted to USD 146.7 million, related to aircraft leases and reserves. Non-current liabilities have no interest-bearing debt. Current liabilities were USD 53.2 million and increased between quarters mainly due to increased

booking inflow. The current portion of aircraft leases and provisions were USD 20.6 million and deferred revenue was USD 23.5 million of sales liabilities.

## Cash flow

Net cash flow used in operating activities was USD 6 million in Q1 2022. Negative operating cash flows before adjusting for changes in working capital deteriorated by USD 8.9 million for the first 3 months of the year, driven primarily by the effect of the COVID-19 pandemic on the business. The positive contribution of working capital changes to operating cash flow was 3 million. The main driver behind the increase was deferred income and receivables related to forward bookings.

The cash flow used on investment activities was USD 2.1 million, of which USD -1.0 million was due to deposits paid on leased aircraft. Intangible investments amounted to USD -1.0 million and were related to investments in IT systems and infrastructure.

Cash flow from financing activities was USD -2.1 million which consisted of repayment of lease liabilities.

## Risks and uncertainties

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The aviation industry is heavily affected by economic cycles and often needs to react quickly to a changing economic landscape. The COVID-19 pandemic has shown that unequivocally during the past two years and now the war in Ukraine.

The risks and uncertainties described below may have adverse consequences on operations and financial results. PLAY makes every effort to minimize the risk, and a comprehensive risk policy is under review.

The uncertainties related to the development of customer demand during the COVID-19 pandemic and the uncertain timing of the recovery of air traffic, and the threat it poses to revenues are steadily diminishing. The ability to react to changes in demand by adjusting operating costs is key to minimizing the company's risk.

PLAY is exposed to currency risk since a large part of its cash position is in the ISK, while PLAY's operating currency is in USD. PLAY is therefore exposed to the fluctuation of the two currencies against each other.

The development of fuel prices may impact financial results negatively. Fuel prices and the price of emissions units have increased considerably in the past months, and due to increased inflation, there has been a general increase in the price of commodities, all of which affects PLAY's financial position. PLAY has formed a fuel-hedging policy and will begin its implementation in June. The policy is a short-term strategy, hedging up to 60% of expected fuel consumption.

## Outlook

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As previously mentioned, a surge in COVID-19 cases at the end of 2021 due to the Omicron variant caused hesitation amongst passengers to book their travel and had a negative impact on booking inflow towards the end of 2021. In January, booking inflow started to improve with 95% more sold seats compared to December 2021. In February, this positive trend continued with 59% more sold seats compared to January, despite the war in Ukraine. This improvement in booking inflow has continued into the second quarter of 2022, with more than fourfold increase in

sold seats in April compared to January. Because of this strong booking momentum, PLAY expects to report improved utilization in the coming months.

The impact of the war in Ukraine has so far been isolated to the rise in the price of fuel. To counter this rise in the price of fuel, PLAY has done the following:

- PLAY has implemented its fuel hedging strategy and has hedged 20% of estimated consumption in June, July and August at a price of USD 1,210 per metric ton and 10% of estimated consumption in September, October and November at a price of USD 1,112 per metric ton
- PLAY has and will continue to adjust its schedule to eliminate unprofitable flying and allocated capacity to markets that are performing well
- Introduced a fuel surcharge in March to offset some of the increase in the price of fuel
- In summer 2022, PLAY was planning to operate three Airbus A321neo, one Airbus A321neo Long Range (LR) and two Airbus A320neo. Due to the high price of fuel, PLAY has decided to change its fleet plan for summer 2022, and instead of leasing an Airbus A321neo LR, PLAY will lease an Airbus A320neo at more favorable terms. As a result, the planned three times weekly Orlando service that was supposed to start on 30 September 2022 will not commence. Following this change, PLAY's fleet in summer 2022 will consist of three Airbus A321neo and three Airbus A320neo

In Q2 2022, PLAY will expand its network as new destinations in Europe and North America are added. In April, PLAY launched services to Baltimore/Washington D.C. and Dublin. So far in May, PLAY has launched services to Prague, Boston, Lisbon, Gothenburg, and Brussels. From now until the end of May, PLAY will launch services to Stavanger, Malaga, and Trondheim. In June, PLAY will launch services to Palma de Mallorca, Bologna, and New York.

The total number of seats on sale in the Q2 2022 will be 167% more than the company offered in the Q1 2022. This expanded network will result in improved utilization of aircraft and other resources. As a result, PLAY's unit cost (CASK), excluding fuel and costs related to emissions units, is expected to be significantly lower in Q2 2022 compared Q1 2022. Previously communicated guidance remains unchanged

## Events after the financial period

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In May the company increased its total share capital in the amount of ISK 3,030,308 (USD 188,000). After this increase the company's capital shares amounted to ISK 703 million. This increase was done to facilitate employee stock option agreements and was done at the share price of 8 ISK per share.

## General Information

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### Board of Directors

Einar Örn Ólafsson, Chairman  
Skúli Skúlason, Vice Chairman  
Auður Björk Guðmundsdóttir  
Guðný Hansdóttir  
María Rúnarsdóttir

### Management Team

Birgir Jónsson (CEO)  
Arnar Magnússon (COO)  
Daníel Snæbjörnsson (CNO)  
Georg Haraldsson (CCO/CIO)  
Jónína Guðmundsdóttir (CPO)  
Þóra Eggertsdóttir (CFO)

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The latest financial information can be found on our website: <https://flyplay.com/investor-relations>

### Financial reporting in 2022

The publication dates of PLAY's financial reports in 2022 are the following:

June 7, 2022	Traffic Report – May 2022
July 7, 2022	Traffic Report – June 2022
August 8, 2022	Traffic Report – July 2022
August 26, 2022	2nd Interim Report January – June
September 7, 2022	Traffic Report – August 2022
October 7, 2022	Traffic Report – September 2022
November 7, 2022	Traffic Report – October 2022
November 25, 2022	3rd Interim Report January – September
December 7, 2022	Traffic Report – November 2022